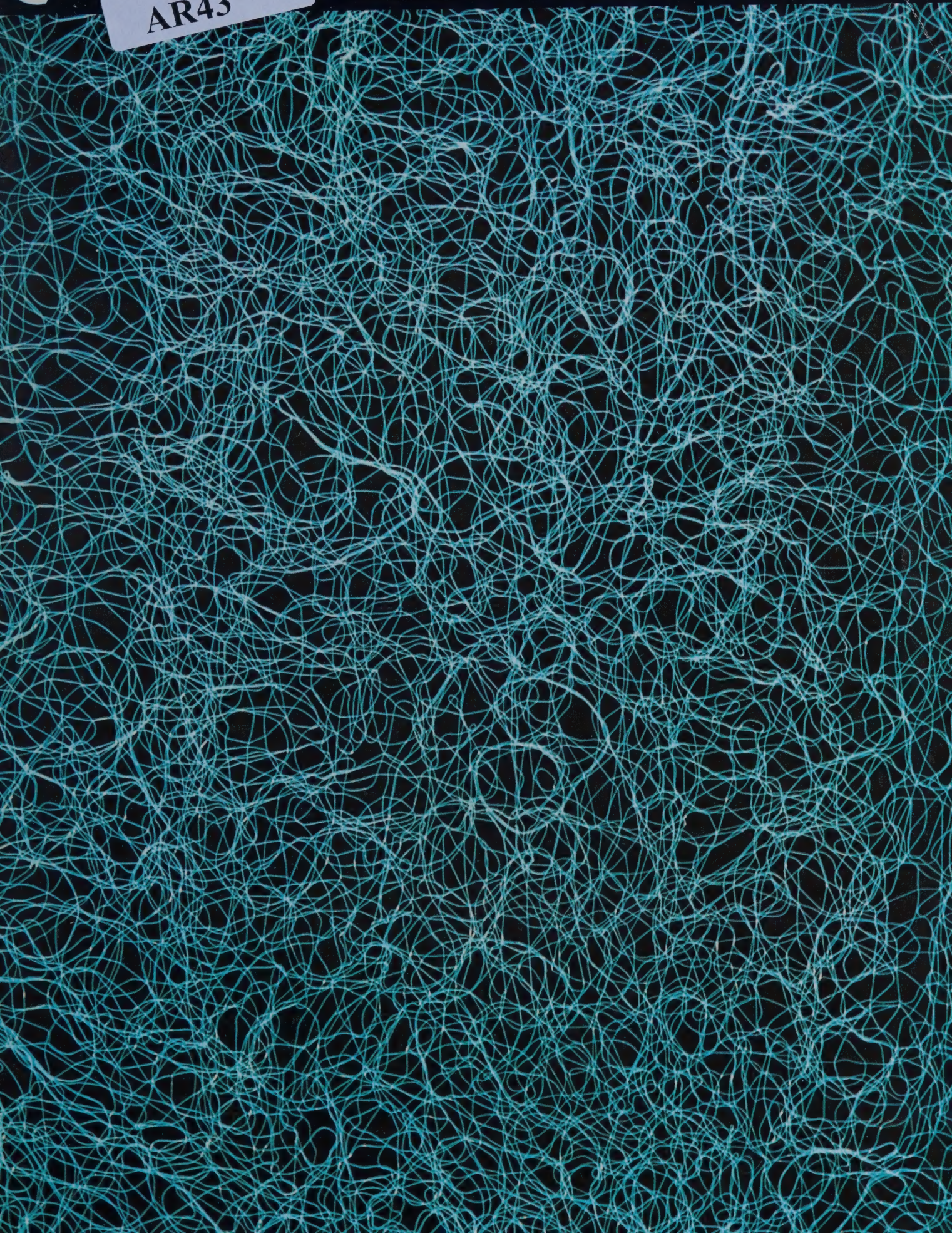
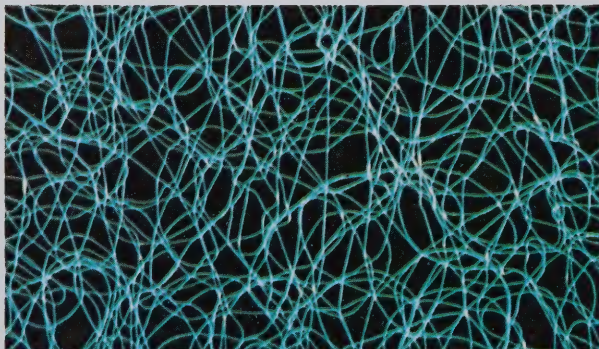




AR43







*Cover — One of the many interesting new products offered by USM last year was Thermogrip® 5000, a new thermoplastic adhesive. While it has a delicate textured appearance, its impact on the apparel industry could be strong. Full story on page 12.*

**Annual Meeting**

The Annual Meeting of Shareowners of the Corporation will be held at 10:00 A.M., Thursday, July 25, 1968, in the Independence Room of the Sheraton-Boston Hotel, Prudential Center, Dalton Street, Boston, Massachusetts.

**Stock Transfer Agents**

Old Colony Trust Company, Boston  
Manufacturers Hanover Trust Company, New York

**Registrars of Stock**

The First National Bank of Boston  
First National City Bank, New York

**Headquarters**

140 Federal Street, Boston, Massachusetts

**Central Research Division**

Beverly, Massachusetts



*file*  
United Shoe Machinery Corporation

140 FEDERAL STREET, BOSTON, MASS., U.S.A. 02107

Area Code 617 Liberty 2-9100

May 24, 1968

Dear USM Shareowner:

By this time you may well have read in the press the fact that the Supreme Court on May 20 reversed the District Court's 1967 decision in proceedings to review the 1953 decree in the Justice Department's anti-trust case against the company. This occurred after our annual report went into production.

The result of the decision is that the case is returned to the District Court for determination whether the relief provided in the 1953 decree has met the standards which the Supreme Court has prescribed. If not, the District Court is directed to modify the decree so as to achieve the desired result with all appropriate expedition.

While we cannot at this time predict when or how this case may be resolved, we feel it will have no appreciable effect on our earnings this year. USM is today a highly diversified company and our domestic shoe machinery income represents less than 15% of our worldwide business. I wish to assure you that USM will continue its program for growth and profitability in the years ahead regardless of the outcome.

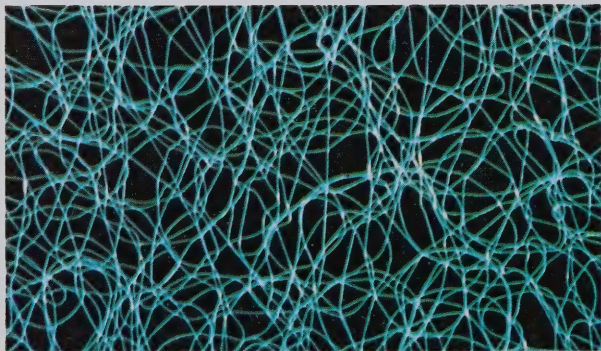
We will keep you informed of any significant developments in the future.

Very truly yours,

*William S. Brewster*

William S. Brewster  
Chairman

WSB:LOB



*Cover — One of the many interesting new products offered by USM last year was Thermogrip® 5000, a new thermoplastic adhesive. While it has a delicate textured appearance, its impact on the apparel industry could be strong. Full story on page 12.*

**Annual Meeting**

The Annual Meeting of Shareowners of the Corporation will be held at 10:00 A.M., Thursday, July 25, 1968, in the Independence Room of the Sheraton-Boston Hotel, Prudential Center, Dalton Street, Boston, Massachusetts.

**Stock Transfer Agents**

Old Colony Trust Company, Boston  
Manufacturers Hanover Trust Company, New York

**Registrars of Stock**

The First National Bank of Boston  
First National City Bank, New York

**Headquarters**

140 Federal Street, Boston, Massachusetts

**Central Research Division**

Beverly, Massachusetts



## Highlights

	Fiscal years ended	
	February 29, 1968	February 28, 1967
Gross revenues .....	\$289,259,000	\$287,293,000
Operating income .....	\$ 26,197,000	\$ 29,221,000
Net Income .....	\$ 12,947,000	\$ 15,231,000
Dividends paid on Preferred stock .....	\$ 302,000	\$ 302,000
Per share .....	\$1.50	\$1.50
Net income applicable to Common stock .....	\$ 12,645,000	\$ 14,929,000
Per share .....	\$5.63	\$6.51
Dividends paid on Common stock .....	\$ 6,744,000	\$ 6,756,000
Per share .....	\$3.00	\$3.00
Earnings retained in business .....	\$ 5,901,000	\$ 8,173,000
Per share .....	\$2.63	\$3.51
Number of Common shares outstanding .....	2,245,131	2,291,751
Number of shareowners .....	20,606	21,613
Number of employees .....	23,250	23,293

## Contents

Financial highlights	1
Letter from Chairman and President	2
<b>Operations</b>	
Footwear market	4
Construction market	6
Electrical and electronics equipment market	8
Transportation market	10
Apparel market	12
Other markets	14
Research and development	16
Product and market chart	18
<b>Financial</b>	
Financial review	20
Litigation	22
Consolidated Balance Sheets	24
Consolidated Income Statements	26
Source and Use of Funds	27
Notes to financial statements	28
Five-year summary	29
Organization guide	30
Management changes	32





*USM Board Chairman William S. Brewster with President Herbert W. Jarvis*

To provide you with a better concept of the changes at USM throughout the world, this year's Annual Report highlights our expanding markets. By this means, we hope to indicate the scope and success of your company's role in providing improved productivity systems to widely diversified industries which now constitute over half of our business.

While our volume of \$289,259,000 was slightly higher than the previous year's all-time high of \$287,293,000, net income of \$12,947,000 or \$5.63 per share fell short of the previous earnings of \$15,231,000 or \$6.51 per share.

A review of the year shows that many of USM's domestic and international markets were adversely affected by the general economic slump. Although our markets are primarily industrial, the volume of our business is largely determined by that of our customers who furnish finished products to the consumer. During the period of slowdown USM

took the opportunity to intensify its program of management development, reshape its marketing organization, and cut expenses to improve its competitive posture. These improvements and those currently underway place USM in a good position to resume profitable growth as its customers raise output to meet an anticipated increase in consumer demand.

The most recent moves in senior management — filling the vacant post of Chairman of the Board and the election of a new President — will permit greater attention to planning and policy at the chief executive officer level and yet will allow the President, as the company's chief operating officer, to concentrate more on the day-to-day management of the corporation. Both of us working together should ensure a successful realization of the company's growth goals. Other management changes are shown on page 32. The proposals being recommended by management at the annual meeting will help hold and attract top caliber executive personnel for the company's benefit and will also provide the tools required by management in the form of new preferred stock to implement the company's acquisition program.

The recommendation to change the company's name from United Shoe Machinery Corporation to "USM Corporation" is outward recognition that a dynamically changed company is rapidly expanding into areas well beyond its traditional product lines.

Let us briefly review last year's events. In the acquisition area several more new companies have joined USM: U.S. Gear Corporation of Wakefield, Massachusetts, is a small, growing company making precision gear assemblies largely for aerospace and aircraft applications; Warren Fastener Corporation of Mt. Clemens, Michigan, with its unique stud welding systems, is growing rapidly through



improving productivity in the automobile industry. We expect comparable growth as we move these products into other markets and realize the considerable potential overseas. In addition, a small printing machinery company and a chemical distributing company were acquired in Europe.

While our proposed merger with United-Carr did not materialize, it illustrated our intention to proceed beyond our program of acquiring only small companies. The acquisition of considerably larger companies will open new markets and have a larger impact on earnings. We have purchased twenty-one of the smaller companies over the past six years, and we shall, of course, continue to acquire others if they represent significant potential. Our recent acquisition in March of John Orme Ltd. of Rushden, Northampton, England, is an example. This company now provides USM with rotational molding capabilities which should have extensive application in the United States and Europe.

To aid our acquisition program, and improve our working capital position, USM incurred public long-term debt for the first time in its history. On June 15, 1967, USM issued \$25,000,000 of 5<sup>3</sup>/<sub>4</sub>% sinking fund debentures rated AA and due 1992. This long-term debt helped us retire outstanding short-term bank debt and pay for our capital investments including leased machinery.

As indicated in the litigation section on page 22, two antitrust proceedings, which have occupied management's attention and caused the shareholders considerable expense for more than twenty years, were heard in the U.S. Supreme Court this spring. Decisions are expected prior to the termination of the court's current term.

In an effort to correct the nation's balance of payments, the Administration recently imposed certain regulations governing overseas investment and

remittance of funds. Our full cooperation during the voluntary period unfortunately worked to our disadvantage, since the periods 1964, 1965 and 1966 now serve as the basis for the mandatory program. While these regulations have presented some obstacles to our plans for future growth abroad, it appears that our well-established foreign debt capacity and long experience overseas will prevent any significant difficulties.

During USM's 69-year history of international operation, the company has been constantly exposed to the possibility of currency devaluation and controls. The latest devaluation in November represents the third we have experienced in the sterling area, and its adverse effect on our working capital was largely offset by the timely receipt of our World War II damage claim. For the future, it will be more difficult in sterling areas to show the same earnings as we did last year.

For the year ahead our key objectives will be to improve both earnings and return on investment and at the same time to better inform our shareholders and the financial community of the significant changes at USM. We anticipate substantially better financial operating results this year, but we recognize the possibility that external factors beyond our control could adversely influence our operating results. In addition, we have the opportunity to further improve earnings during the remainder of the year via the acquisition route. We regard last year's interruption of our pattern of improving earnings results as temporary. We are encouraged by the recent improvement in our operations.

We are indebted to our 23,250 employees, old and new, 8,220 in the U.S.A. and Canada and 15,030 overseas, for their help in building the corporation and for their cooperation in the changes during the year.

*William S. Brewster*

Chairman, and Chief Executive Officer

*Herbert W. Jones*

President, and Chief Operating Officer

May 9, 1968



## Footwear Market Ends Year on Uptrend

Production in the footwear industry, USM's largest single market, showed improvement on a world-wide basis, but growth was uneven. Domestically, production did not show an improvement until the final quarter. Competition from low-labor-content footwear as well as the shortage of skilled labor increased customer interest in USM machinery and supplies to help reduce costs and increase productivity.

The USM injection molding system offers a good example. This system literally makes and attaches finished soles to shoe bottoms in one step, thereby eliminating as many as eleven operations.

In the chemical area, among the more significant developments has been an improved nitrile-enriched polyvinyl chloride soling compound. Expected to substantially broaden the market for injection molded footwear, this new material has better wear characteristics and can be foamed to make lighter weight, more comfortable soles.

To service the emerging southern European shoe manufacturing markets, our Italian and Spanish companies have grown in employment and in total capability, and we have established two new companies in Portugal. In Latin America we have established distributing companies in Venezuela and Peru and have significantly reorganized our management in the remaining countries.

---

*Instantly responsive to the most subtle undercurrents in the world of fashion, the footwear industry annually creates new styles to complement the changing patterns of life and dress. Industry growth will be aided by an increasing population throughout the world.*







## Volume Builds in Construction Industry

Throughout the world, and especially on the European continent, USM products are used in the construction industry. Principal among these are Bostik high performance sealing systems and specialized adhesives. In sheet metal fabrications "POP®" rivets and other USM fasteners are often used as in the assembly of aluminum storm doors and windows. For home as well as commercial use one of the most familiar of all USM fasteners is the widely distributed line of Molly® anchors and fasteners.

In the United States we have introduced a new, unique product known as the USM "Power Cap®." This explosive caseless charge together with its ignition mechanism has been initially used for driving fasteners into steel and masonry in the construction industry. Acceptance of the product line has so far been good, and there is the promise of its application in several other industries.

Completely portable and easy to use, it speeds the installation of channels for dry wall and metal lathe construction, the installation of electrical conduit, outlet and distribution boxes, and the fastening of suspended ceilings and curtain walls.

Our Upco affiliate produces an expanding line of adhesives, tile groutings, mortars, epoxy floor overlay materials, and colored architectural coatings for masonry surfaces.

---

*Towering high over the Chicago skyline, the 100-story John Hancock Center is now nearing completion. In building this giant structure, USM's Ammo "Power-Cap" system was used to fasten insulating board to the four-inch thick steel girders in the exterior framework. "Power Cap" drives studs and pins from a special tool directly into steel and concrete.*







## **USM Products for Electrical and Electronic Markets Extend Across Broad Front**

Frequently, hand in hand with the assignment of increasing productivity is the task of ensuring near perfect production reliability as well. Both are essential to successful automation.

USM's solution to this dual problem in one area of manufacture is our Dynasert line for inserting electronic components in printed wiring boards. In a typical 55-station conveyor, 99% efficiency is mandatory for production efficiency. This means each station must have a reliability of 99.98%, or not more than one malfunction of any type in 5,000. When completed, these wiring boards are the heart of most radio and TV sets and the brain of computers and other electronic equipment.

Sharply contrasting in size, but closely related in technology, eyelets often smaller than a grain of rice provide another example of USM production machinery and supplies for the electrical/electronics markets. Widely used throughout the world as connectors, terminals and bushings in appliances, communication equipment, computers, switchgear and other products manufactured by these industries, eyelets are supplied in increasing volume for a broad range of applications. For sophisticated applications, USM gold-plated eyelets are employed such as in aerospace circuitry where maximum efficiency of electrical transmission is demanded.

To an expanding segment of the appliance industry, USM supplies injection molding machines for in-plant fabrication of plastic parts. Users are finding the now broader line of USM machines provides an effective answer to the need for lower costs and higher productivity. Many assembly operations in the electrical/electronics industry also depend on USM products. "POP" blind rivets and tools are used in large volume for fastening panels and hinges as well as for sub-assembly.

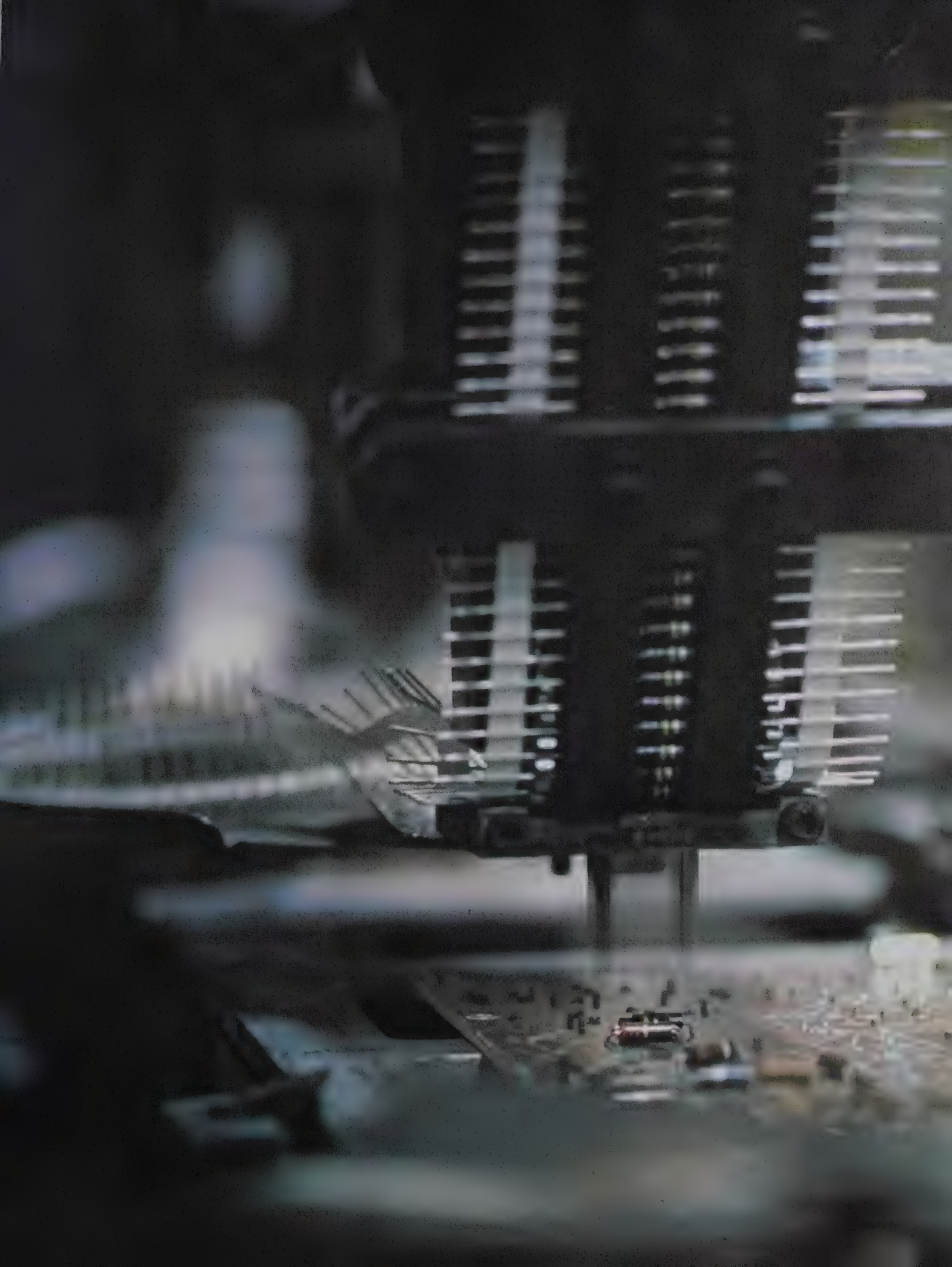
Challenging bonding operations such as laminating Mylar film to nonwoven Dacron for high test electrical insulation are frequently performed with specially formulated Bostik cements. USM film adhesives are also used to bond electronic parts as well as for attaching decorative trim and plastic panels and inserts.

Rounding out the growing range of USM products for these markets are stamped and drawn metal components, molded plastic parts and other custom fabrications for the manufacture of electrical and electronic appliances and equipment.

---

*Entertainment for millions of living rooms takes shape here as USM Dynasert equipment inserts solid state components in printed wiring boards for color TV sets. Dynasert, which in this type of operation must possess 99% reliability, is used in the manufacture of 40% of today's radio and TV sets.*







## Transportation Market Improves

Despite the automotive industry's disappointing performance, the transportation market continues to be an outstanding growth opportunity for USM throughout the world. USM for several years has been an expanding source for transportation equipment manufacturers' requirements of sealants, sound deadeners, adhesives, fasteners and window sealing systems.

The acquisition of the Warren Fastener Corporation in the Detroit area has placed us in a position to move aggressively in meeting additional automotive fastening needs. Marketing of Warren products has been underway in the United Kingdom, Germany, and Australia since late last year.

Beyond the Warren line, USM's fastening capabilities cover a broad range. Our well-known line of "POP" rivets, for example, is used extensively for attaching interior trim as well as in the assembly of windows, overhead luggage racks, seats and side panels for buses. The automotive industry is also a substantial market for USM injection molding machines which are used for production of plastic components and for USM custom fabrications of both plastic and metal.

Self-locking, self-sealing Nylok fasteners are used for a broad range of critical fastening applications from helicopter rotors and jet landing gear to motor scooters and freight car retarders. One of the more familiar uses for this vibration resistant fastener is the attachment of automobile seat belts.

In long distance transportation, two new entries will rely on products from affiliates of our English subsidiary, British United. "POP" rivets by George Tucker Eyelet and Bostik adhesives are being used extensively in fitting out the new Cunard liner Queen Elizabeth II. High temperature resistant sealants developed by Bostik and "POP" rivets are also incorporated into the Anglo-French Concorde airliner.

---

*The Land Rover which relies on "POP" rivets and Bostik sealants supplied by USM British affiliates is often called upon to perform under the most demanding conditions. USM supplies sealants, adhesives and fasteners to the automotive industry on both sides of the Atlantic.*





## Apparel Market Represents New Potential

Fashions change fast in the apparel industry, and so do requirements for fabrics to satisfy new needs. For many years USM has maintained a close association with areas that use our cutting equipment and adhesives for clothing applications. This adhesive volume may increase and stitchless garments may finally become a reality when market tests and other trials now underway on a new USM adhesive are completed. Now in pilot lot production, the new adhesive called Thermogrip 5000 is capable of permanently bonding together two materials without affecting their natural properties.

Tests have shown that Thermogrip 5000, which could represent an important breakthrough for the apparel industry, will withstand repeated laundering, ironing, and dry cleaning. The equipment required to use the new adhesive efficiently in mass production is now being developed. It is considered likely that Thermogrip 5000 will also find important use in the footwear industry.

The need for increased productivity in the apparel industry has caused further growth in the use of die cutting by manufacturers of all types of ready-to-wear clothing. With dies and high production USM cutting presses, the apparel industry not only gets more cuts per day, but each piece of the multi-layered stack is accurately cut for a perfect fit.

Materials handling systems which feed fabric to the augmented line of USM cutting presses have also helped to increase the production rate at the cutting operation. The development of additional USM equipment, exemplified by the Fabric Feeder, is expected to reduce costs and increase productivity in high-labor-content-apparel assembly operations.

---

*Increased productivity for many apparel assembly operations becomes possible with the USM development of Thermogrip 5000, a new form of instant setting adhesive. With Thermogrip 5000 two different fabrics can be combined to offer the values of a much costlier product. Here, a simple playsuit bonded with Thermogrip 5000 is illustrated.*







## **USM Aids Performance in Other Industries**

Without question machine-product-service systems will continue to play a vital role in helping advance scientific frontiers, increase productivity, and improve standards of living. It is in such areas, where innovative ideas are most needed, that USM is making its greatest progress.

### **Aerospace**

One industry where progress is measured in great strides is aerospace. By any measure some of the most sophisticated mechanisms ever built are the Centaur space vehicles. As part of this equipment, the vehicles use USM Harmonic Drive actuators in the critical control of the liquid oxygen-hydrogen propulsion system which performed so successfully in the Surveyor moon exploration program completed last year.

Selected for this application because of their highly reliable performance, the compact, lightweight Harmonic Drive servo-actuators were used to operate valves through hermetic seals to control the liquid oxygen feed rate and to prevent any leakage. In other applications, Harmonic Drive products performed with equal precision under exposure to the rigors of the hard vacuum encountered in outer space as they positioned satellite solar paddles and missile antennas.

### **Oceanography**

More recently Harmonic Drive has taken to the water in a very large hermetically sealed underwater winch. In this case the entire drive system including the electric motor, clutch, and brake is enclosed inside an hermetically sealed Harmonic Drive unit for work in the ocean depths.

A growing number of uses for this highly versatile transmission principle appear in such applications as more convenient focusing arrangements for classroom microscopes, better carriage drives for high speed photo typesetters, and low cost transmission devices for TV antenna rotators.

### **Packaging**

Another USM product widely used in many types of packaging machines is the USM Thermogrip applicator. This system applies a pattern of specially formulated instant-setting USM adhesive to packages for frozen foods, cigarettes, cereals and a long list of other products — to hold them securely, yet at the same time, make them easier to open. The USM-developed easy-open end for beverage, food, and other cans continues to make life easier for everyone.

---

*In launching the Surveyor satellite on its successful moon exploration missions completed last year, among many of the vital components which turned in trouble-free performance were USM Harmonic Drive units. Hermetically sealed, these units were used in controlling the feed rate of the liquid oxygen.*





UNITED

15

STATES



In an advanced economy such as the U.S., probably no determinant of the rate and extent of business' investment programs is more important than the pace of current technological innovation. This can take the form of new products, new machines, new productive processes, new forms of energy and new distributive systems both within the machinery industry itself and — even more important — within the user industries. The increasing amount of money spent on research and development can only continue to accelerate technological change.

Last year USM invested 3.4% of total volume in R&D efforts. This did not include service type activity in support of existing commercial products. Principal R&D facilities include a Central Research Division and group development units as well as laboratories located in the United Kingdom and Europe. Effective utilization and blending of the strengths of each of these facilities require close coordination and technical liaison. This is accomplished through periodic reviews and international symposia.

The soundness of this concept has long been evident. By having Central Research report directly to the President, top management keeps in close touch with important projects, decisions can be made fast, and funds can be immediately committed from the top level for promising new projects. One of the developments from our R&D laboratories is the new adhesive Thermogrip 5000, illustrated on the front of this report and covered elsewhere.

An important key to automation of the apparel industry is fast, accurate feeding of cut parts from a stack to machines. With USM's Fabric Feeder, the piece can be automatically separated from a stack, picked up and fed directly to the machine. The savings provided in terms of lower skill requirements, shorter training periods and more productive operator time will be considerable. Prototypes are now being evaluated on production lines in the industry.

Last year also saw the development of new machines and products for the footwear industry. Soon to be introduced in the United States market is a Thermoplastic Upper Reinforcing Machine which applies thermoplastic adhesive to reinforce critical areas of shoe uppers eliminating time-consuming, expensive operations.

The Automatic Edge Trimmer has been developed for unattached composition outsoles. The new machine is so versatile that it will work automatically when fed a stack of soles in which both sizes and styles are mixed. A new 16-Station Injection Molding Machine for direct molding-on of foam type thermoelastomer soles will be available later this year.

An Automatic Shoe Bottom Roughing Machine, which reduces the skill required to perform this function, has been developed by the British United Shoe Machinery Company. Testing under U.S. conditions is underway.

Substantial progress has also been made in research aimed at further automation for the footwear industry. In the area of exploratory research, current programs include the investigation of the fundamentals of adhesion to provide basic knowledge for the design of novel adhesive systems; plastication studies to determine molding requirements for the growing spectrum of materials to be handled in USM machines; and computer simulation of interior ballistics to determine the most effective propellant for powder actuated tool systems.





## USM Product & Markets Chart

	Machinery							Fasteners
	Footwear	Tanning	Cutting	Plastics	Packaging	Eyelet Machinery	Other	"POP" Rivets
Footwear	●	●	●	●	●	●	●	
Transportation			●	●		●	●	●
Electrical and Electronics Equipment and Devices			●	●	●	●	●	●
Construction			●		●		●	●
Consumer								●
Tanning		●	●					
Non-Electrical Machinery				●	●	●	●	●
Fabricated Metal Products	●					●	●	●
Apparel and Accessories	●		●		●	●	●	●
Paper, Printing and Allied Products			●		●	●	●	●
Plastics Products	●		●	●	●	●	●	●
Instruments			●		●	●	●	●
Rubber Products	●	●	●	●	●	●	●	●
Other industries	●	●	●	●	●	●	●	●

At the end of fiscal 1968, USM served thirteen major markets with literally thousands of different products, all engineered to fit specific customer needs. In many cases we provide an industry with machine-product-service systems. In others we furnish a highly specialized product designed for one application.

This products-market chart cross references basic product lines with the markets served. The latter are color keyed to indicate the percentage range of USM's volume represented by each market.

- Over 40% of USM sales
- 10-20% of USM sales
- 5-10% of USM sales
- 3- 5% of USM sales
- 1- 3% of USM sales





## Financial Review

### Gross Revenues Reach New Levels

Our record consolidated gross revenues of \$289,259,000 for fiscal 1968 are analyzed below by operating groups.

	Fiscal 1968	Fiscal 1967	% Change
U.S.A. and Canada	(000's omitted)		
Machinery . . . . .	\$ 59,155	\$ 61,610	- 4
Fastener . . . . .	31,982	32,244	- 1
Chemical . . . . .	19,676	19,212	+ 2
Fabrication . . . . .	17,210	21,651	-21
Canada . . . . .	7,282	9,677	-25
Other . . . . .	6,327	3,185	+99
Total . . . . .	<u>\$141,632</u>	<u>\$147,579</u>	<u>- 4</u>
<b>International</b>			
British Group . . . .	\$ 79,743	\$ 75,375	+ 6
Continental			
Europe . . . . .	60,449	57,480	+ 5
Latin America . . . .	7,435	6,859	+ 8
Total . . . . .	<u>\$147,627</u>	<u>\$139,714</u>	<u>+ 6</u>
Total . . . . .	<u>\$289,259</u>	<u>\$287,293</u>	<u>+ 1</u>

### Consolidated Net Income

Consolidated net income after all taxes was \$12,947,000 in fiscal 1968 compared with \$15,231,000 in the previous year. The latter has been restated to include the acquisition of Warren Fastener Corporation. After preferred dividends, consolidated net income was equal to \$5.63 per common share which compares with \$6.51 per common share a year earlier. Net income for fiscal 1968 included extraordinary net income of \$162,000. This arose from a World War II damage claim award less the unrealized exchange loss on working capital from the recent devaluation of the British pound and other currencies.

Quarter Ended	Earnings for fiscal years *			
	1968		1967	
	Amount (000's omitted)	Per Share Common	Amount (000's omitted)	Per Share Common
May 31 . . . . .	\$ 2,992	\$1.33	\$ 3,942	\$1.72
August 31 . . . .	2,930	1.31	3,585	1.56
November 30 . . .	2,832	1.26	3,017	1.32
February 28 . . .	3,891	1.73	4,385	1.91
	<u>\$12,645</u>	<u>\$5.63</u>	<u>\$14,929</u>	<u>\$6.51</u>

\*Applicable to common stock

### Capital Expenditures

Capital expenditures in fiscal 1968, including the fixed assets of acquired companies, were \$30,058,000 compared with \$34,848,000 for the previous fiscal year and were divided as follows:

	1968	1967
U.S.A. and Canada . .	\$16,081,000	\$18,962,000
International . . . . .	13,977,000	15,886,000
Total . . . . .	<u>\$30,058,000</u>	<u>\$34,848,000</u>

### Quarterly Dividend Rate Increased

Of the 1,253 companies listed on the New York Stock Exchange at the end of 1967, USM is one of only 23 who have paid uninterrupted consecutive quarterly dividends since the turn of the century or earlier. For the year, dividends paid on common stock totaled \$3.00 per share. This represented 53% of net income available to common shareowners and reflected the increased quarterly rate of \$.75 per share established with the April 20 payment last year. Dividends continued on the preferred stock at the rate of \$1.50 for the year.

### Increase in Inventories

The increase in inventories of \$3,367,000, or less than 5% over last year's level, resulted from acquisitions and also from our willingness to accept inventory build-ups during the slow periods in order to continue the employment of our highly valued skilled labor pool.

### Effect of British Pound Devaluation

The recent devaluation of currencies in England and other countries had slight effect on this year's operating income, since only one month was affected by the new lower exchange rates. (Our international group's fiscal year ends December 31.) Revenue received from a World War II damage claim offset the nonrecurring working capital loss that resulted from the devaluations. In addition, we had hedging contracts to protect the dollar value of one year's expected sterling payments to the corporation.

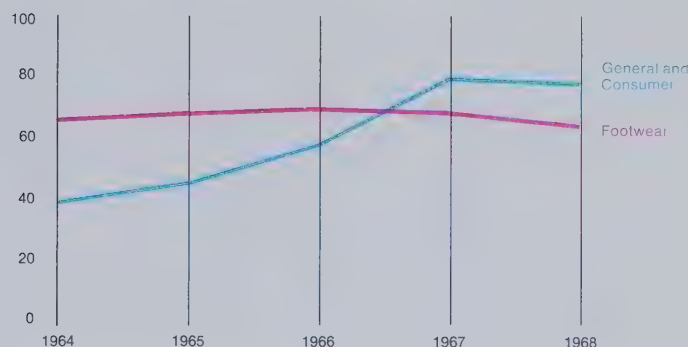
### Purchase of Treasury Shares — New Class of Preferred

In order to have treasury shares available for general corporate purposes and for use in our acquisitions, we purchased 48,100 shares of our own common stock in fiscal 1968 at a total cost of \$3,171,000. We have Directors' authorization to purchase approximately 65,000 additional shares for use in acquisitions and for other needs of the corporation. Your Board of Directors is also recommending at the shareowners' meeting in July the creation of a new class of preferred stock which may be convertible. The various terms that we can set for this stock will enable USM to be more flexible in its acquisition program.

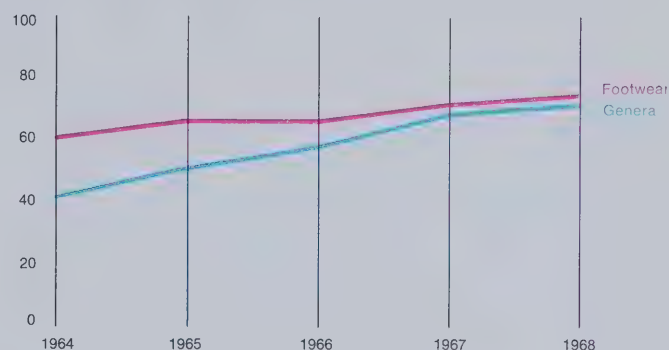
### Company Strengthens Financial Position

In June of 1967, USM arranged for a long-term loan of \$25,000,000 through the issuance of 5<sup>3</sup>/<sub>4</sub>% Sinking Fund Debentures due 1992. This is the first time in the company's history that public long-term debt has been utilized. The move represents a significant step in providing the financing for USM's long-term growth.

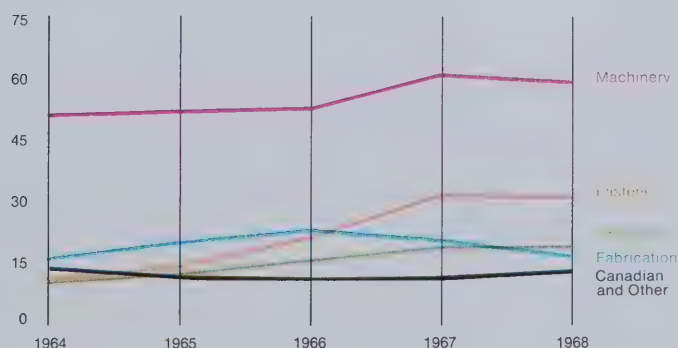
Volume Distribution/United States and Canada (millions of dollars)



Volume Distribution/International (millions of dollars)



Five Year Volume Summary /by Group, Domestic (millions of dollars)





## Summary of International Operations <sup>(1)</sup>

(000's omitted)	Fiscal Year	British Group	Continental Europe	Latin America	Total
Volume of Business . . . . .	<b>1968</b>	\$79,743	\$60,449	\$7,435	\$147,627
	<b>1967</b>	75,375	57,480	6,859	139,714
Equity in Net Assets . . . . .	<b>1968</b>	54,421	29,040	6,595	88,587 <sup>(2)</sup>
	<b>1967</b>	53,669	29,502	6,469	88,227 <sup>(2)</sup>
Equity in Net Income <sup>(3)</sup> . . . . .	<b>1968</b>	6,548	2,205	438	7,120 <sup>(4)</sup>
	<b>1967</b>	6,468	2,737	459	7,319 <sup>(4)</sup>
Dividends (Net) . . . . .	<b>1968</b>	3,220	676	163	4,059
	<b>1967</b>	3,178	777	77	4,032
Number of Employees . . . . .	<b>1968</b>	10,046	4,156	828	15,030
	<b>1967</b>	9,969	4,379	798	15,146

Funds obtained from this issue were used primarily to retire outstanding short-term bank debt of approximately \$13,000,000 incurred to meet increased working capital requirements. The balance of the proceeds together with internally generated funds is earmarked to pay the cost of planned capital improvements and provide additional working capital including investment in leased machinery. The ratio of current assets to current liabilities at February 29, 1968, was 3.6 to 1 compared with 3.2 to 1 a year ago.

### Litigation

As we have stated in earlier reports, the Supreme Court of the United States agreed to hear the appeal filed by the Department of Justice from the April 11, 1967 order of the District Court in Boston which left unchanged its antitrust decree of 1953. The corporation did not appeal.

In his April 11 order, Chief Judge Charles E. Wyzanski, Jr. denied the Justice Department's petition for partial divestiture of USM's shoe machinery business, and at the same time denied the corporation's petition for modification of the decree. As we stated at the time, while USM had hoped for some relief from the decree, we were gratified that the Court had concluded that partial divestiture was not justified and that no additional restrictions were necessary.

The appeal was argued in the Supreme Court on April 1, 1968 and the decision of the Court is expected before the end of the term in June. We are hopeful that the Court will reach a favorable conclusion which might end once and for all this burdensome litigation which has lasted nearly a quarter of a century.

<sup>(1)</sup> This data reported according to management responsibility.

<sup>(2)</sup> These totals reflect the unallocated reserve for foreign operations.

<sup>(3)</sup> Before unrealized working capital loss, principally in the British Group resulting from the devaluation of the pound sterling.

<sup>(4)</sup> These totals reflect equity in net income after dividend withholding taxes, charges against income for reserve accounts and other miscellaneous expense attributable to the International Area.

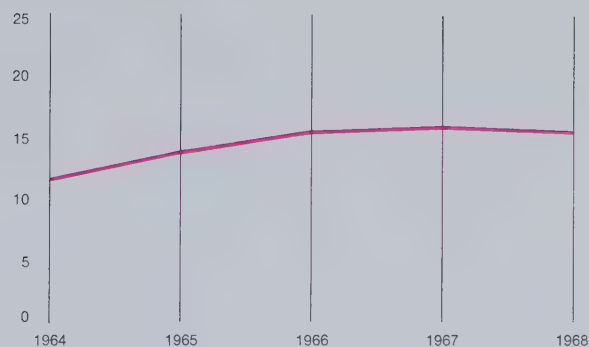
In the treble-damage antitrust litigation brought in 1955 by The Hanover Shoe Company, we reported during the year that petitions for certiorari filed by Hanover and the corporation were granted by the Supreme Court of the United States to review the April 11, 1967 decision of the Court of Appeals for the Third Circuit.

That April 11 decision ordered the case remanded to the District Court in Scranton, Pennsylvania, for a retrial of various issues, including a recomputation of damages under instructions which would have resulted in a finding of damages substantially less than the original District Court judgment of \$4,239,609 after trebling.

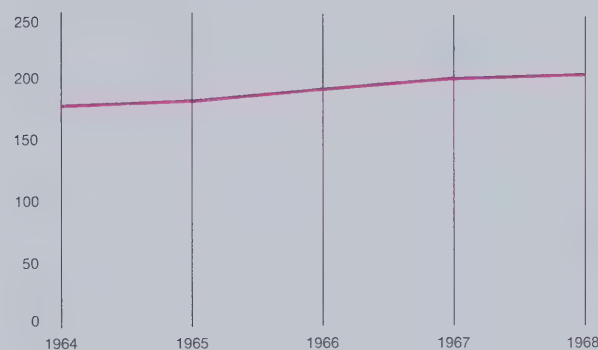
As briefed by the parties and as presented on oral arguments of counsel in the Supreme Court on March 5, 1968, we are hopeful that the Court will favorably dispose of this litigation finally and on its merits so that there will be no need to extend further the thirteen years the case has been before the lower federal courts in Pennsylvania.

Claims for recovery of approximately \$11,000,000 of additional Federal income taxes assessed and paid for the seven-year period ended on February 28, 1962 are being prosecuted in the Internal Revenue Service. If, after the necessary administrative steps are exhausted, the Internal Revenue Service does not allow the claims, USM will take appropriate legal action.

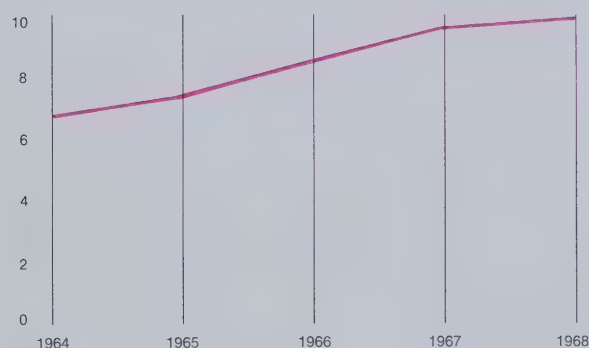
**Cash Flow per Common Share** (in dollars)



**Shareowners' Equity** (millions of dollars)



**Research and Development Expenditures** (millions of dollars)





## Consolidated Balance Sheets

Assets	February 29, 1968	February 28, 1967
Current assets:		
Cash .....	\$ 8,381,000	\$ 7,747,000
Marketable securities at cost, which approximates market .....	14,539,000	2,992,000
Accounts and notes receivable, less allowances for doubtful accounts of \$1,363,000 and \$1,221,000 .....	48,073,000	50,039,000
Inventories at lower of average cost or market:		
Raw materials .....	16,972,000	17,357,000
Merchandise in process .....	13,841,000	14,593,000
Finished merchandise .....	48,140,000	43,636,000
	<u>78,953,000</u>	<u>75,586,000</u>
Total current assets .....	149,946,000	136,364,000
Leased machinery at cost, less allowances for depreciation of \$56,475,000 and \$55,344,000, and machines and parts on hand at cost, \$23,357,000 and \$24,055,000 (note B) .....	70,701,000	71,276,000
Property, plant and equipment at cost:		
Land and buildings .....	54,215,000	50,782,000
Manufacturing machinery, tools and equipment .....	79,308,000	75,137,000
Automobiles, furniture and fixtures .....	13,275,000	11,594,000
Unfinished construction .....	1,928,000	1,343,000
	<u>148,726,000</u>	<u>138,856,000</u>
Less allowances for depreciation (note B) .....	<u>77,273,000</u>	<u>72,085,000</u>
	71,453,000	66,771,000
Patent rights, goodwill and other intangibles at cost less amortization of \$1,909,000 and \$2,770,000 .....	4,617,000	4,714,000
Other assets .....	7,383,000	5,040,000
	<u>\$304,100,000</u>	<u>\$284,165,000</u>

*The accompanying notes are an integral part of the financial statements.*

<b>Liabilities</b>	February 29, 1968	February 28, 1967
Current liabilities:		
Notes and loans payable to banks .....	\$ 6,362,000	\$ 7,785,000
Accounts payable, trade .....	12,245,000	14,347,000
United States and foreign income taxes .....	13,494,000	11,077,000
Accrued expenses and other liabilities .....	9,436,000	9,177,000
Total current liabilities .....	41,537,000	42,386,000
Long-term debt (note C):		
5 <sup>3</sup> / <sub>4</sub> % sinking fund debentures due 1992 .....	25,000,000	—
Notes and mortgages less current maturities .....	2,530,000	12,111,000
Total long-term debt .....	27,530,000	12,111,000
Provisions for pensions (note D) .....	7,539,000	7,441,000
Reserve for foreign operations (note A) .....	1,469,000	1,413,000
Deferred income taxes (note E) .....	3,816,000	2,318,000
Other noncurrent liabilities .....	2,491,000	1,540,000
Minority interest .....	17,020,000	16,988,000
Litigation and contingent liabilities (note F)		
<b>Shareowners' Equity</b>		
Capital stock:		
Preferred, 6 <sup>0</sup> % cumulative, par value \$25 per share, authorized 600,000 shares; issued 423,908 shares (note G) .....	10,598,000	10,598,000
Common, par value \$25 per share, authorized 3,600,000 shares; issued in 1968, 2,365,958 shares; in 1967, 2,403,958 shares (notes A and H) .....	59,149,000	60,099,000
Additional paid-in capital (note A) .....	39,000	56,000
Retained earnings (notes A and C) .....	147,633,000	143,003,000
	217,419,000	213,756,000
Less cost of shares in treasury .....	14,721,000	13,788,000
Preferred: 1968 and 1967, 222,892 shares Common: 1968, 120,827; 1967, 112,207		
Total shareowners' equity .....	202,698,000	199,968,000
	<u>\$304,100,000</u>	<u>\$284,165,000</u>



## Consolidated Statements of Income and Retained Earnings

	For Fiscal years ended	
	February 29, 1968	February 28, 1967
Gross revenues:		
Sales and other operating income .....	\$243,284,000	\$241,378,000
Leased machinery revenue .....	45,975,000	45,915,000
	<u>289,259,000</u>	<u>287,293,000</u>
Costs and expenses:		
Cost of sales .....	155,940,000	156,274,000
Cost of leased machinery operations .....	22,040,000	20,327,000
Research and development .....	9,823,000	9,590,000
Selling and administrative .....	75,259,000	71,881,000
	<u>263,062,000</u>	<u>258,072,000</u>
Operating income .....	26,197,000	29,221,000
Other income less other charges .....	1,058,000	958,000
Income before income taxes .....	27,255,000	30,179,000
Provision for United States and foreign income taxes (note E) .....	12,588,000	13,084,000
Income before minority interest .....	14,667,000	17,095,000
Minority interest .....	1,882,000	1,864,000
Income before extraordinary items .....	12,785,000	15,231,000
Extraordinary items (note I) .....	162,000	—
Net income .....	12,947,000	15,231,000
Retained earnings at beginning of year (note A) .....	143,003,000	134,830,000
	<u>155,950,000</u>	<u>150,061,000</u>
Cash dividends paid (preferred \$1.50 per share; common \$3.00 per share) .....	7,046,000	7,058,000
Excess of cost over par value of reacquired shares retired, less \$17,000 allocated to additional paid-in capital .....	1,271,000	—
	<u>8,317,000</u>	<u>7,058,000</u>
Retained earnings at end of year .....	<u>\$147,633,000</u>	<u>\$143,003,000</u>
Per share of common stock (note J):		
Income before extraordinary items .....	\$5.56	\$6.51
Extraordinary items .....	.07	—
Net income .....	<u>\$5.63</u>	<u>\$6.51</u>

*The accompanying notes are an integral part of the financial statements.*

## Source and Use of Funds

<b>Source:</b>	1968	1967
Net income .....	\$12,947,000	\$15,231,000
Depreciation and amortization (note B) .		
Leased machinery .....	12,071,000	11,850,000
Property, plant and equipment .....	8,473,000	7,800,000
Patent rights etc. ....	657,000	491,000
Fixed assets sold or retired, less accumulated depreciation		
Leased Machinery .....	3,238,000	2,690,000
Property, plant and equipment .....	2,169,000	3,104,000
Decrease in receivables .....	1,966,000	(10,448,000)
Increase in long-term debt (note C) .....	15,419,000	9,250,000
Increase in deferred income tax (note E) .....	1,498,000	1,511,000
All other sources .....	1,137,000	1,201,000
Total .....	<u>\$59,575,000</u>	<u>\$42,680,000</u>
 <b>Use:</b>		
Property, plant and equipment .....	\$15,324,000	\$19,784,000
Leased Machinery		
Machines shipped .....	14,646,000	13,678,000
On hand and in process .....	88,000	1,386,000
Increase in inventories .....	3,367,000	13,505,000
Dividends paid .....	7,046,000	7,058,000
Decrease in current liabilities .....	849,000	(8,171,000)
Purchase of treasury stock .....	3,171,000	—
All other uses .....	2,903,000	2,382,000
Total .....	<u>\$47,394,000</u>	<u>\$49,622,000</u>
Increase (Decrease) in cash and marketable securities .....	\$12,181,000	\$ (6,942,000)

*The accompanying notes are an integral part of the financial statements.*



# Notes to Consolidated Financial Statements

## A. Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries, after elimination of intercompany transactions. The undistributed earnings of foreign subsidiaries are substantially reinvested in the countries of origin. The excess of the purchase price of purchased subsidiaries over the value ascribed to the net assets at the date of acquisition is included in goodwill and is not being amortized except where the life of this intangible asset is limited.

A reserve for foreign operations is provided by an annual charge to income which amounted to \$400,000 in 1968 and \$800,000 in 1967. Unrealized gains and losses from minor fluctuations in foreign exchange rates and certain contingencies of foreign operations are credited or charged to this reserve. See page 22 for Summary of International Operations.

The 1967 consolidated financial statements have been restated to reflect the inclusion of Warren Fastener Corporation, acquired in November 1967, in exchange for 38,000 shares of treasury common stock and accounted for as a "pooling of interests" as if consummated on March 1, 1966. Accordingly, common stock and retained earnings at February 28, 1967 have been increased by \$950,000 and \$465,000 and additional paid-in capital at that date has been decreased by \$946,000.

## B. Depreciation Policy

Depreciation and amortization of \$21,201,000 in 1968 and \$20,141,000 in 1967 are included in costs and expenses. For the most part depreciation allowances are calculated on a straight-line basis, except that the declining balance method is used in certain foreign subsidiaries. The company and its subsidiaries in most instances use accelerated depreciation methods for tax purposes.

## C. Long-term Debt

The 5<sup>3</sup>/<sub>4</sub>% Debentures are redeemable through purchase at prices decreasing from 105.50% of face value currently to 100% in 1988, or sinking fund redemptions of \$1,250,000 to \$2,500,000 on June 15, 1973 and on each June 15, thereafter at 100% of face value. The indenture contains restrictive covenants which provide, among other things, for certain restrictions on the payment of cash dividends or acquisition of common stock. The amount of consolidated retained earnings free of such restrictions at February 29, 1968, was approximately \$17,646,000.

Notes and mortgages consist principally of a \$1,000,000, 6% note, payable by a subsidiary in installments from 1970-1982 and miscellaneous long-term notes and mortgages, approximating \$1,400,000, payable 1969-1978 at interest rates averaging 6<sup>1</sup>/<sub>2</sub>%.

Under covenants contained in the 6% note agreement, the company must maintain consolidated working capital of at least \$50,000,000.

## D. Pensions

The company's pension plans cover substantially all of its foreign and domestic employees. Charges to income for the cost of these plans amounted to approximately \$6,700,000 in 1968 and \$6,500,000 in 1967. Costs accrued are funded in the United States and some of the foreign subsidiaries. At February 29, 1968, the unaccrued past service costs were estimated at approximately \$39,000,000 which are being amortized over a 27-year period, except that certain foreign subsidiaries have adopted shorter periods.

## E. Provision for Income Taxes

The investment tax credit and comparable foreign investment allowances totaling \$369,000 in 1968 and \$345,000 in 1967 have been applied in the reduction of income tax expense. United Kingdom investment grants and other foreign investment incentives, not related to income tax expense, totaling \$759,000 in 1968 and \$655,000 in 1967, net of related tax effect, have been credited to other income.

Deferred income taxes arise principally from the use of accelerated depreciation for tax purposes.

## F. Litigation and Contingent Liabilities

The Supreme Court of the United States on March 5, 1968 heard oral arguments in the proceedings to review the April 11, 1967 decision of the Court of Appeals for the Third Circuit in The Hanover Shoe Inc. case, and on April 1, 1968, heard arguments in the Department of Justice's appeal from the April 11, 1967 decision of the District Court in Massachusetts in the antitrust decree review proceeding. No decision in either case has been announced. See page 22 for a summary of these cases.

The financial effect, if any, upon the company of the antitrust and Hanover litigation is not determinable at this time. Similarly, the outcome of the company's efforts to recover approximately \$11,000,000 of U.S. taxes previously paid cannot be foreseen at present.

Under acquisition agreements, the company may be liable to former owners for additional payments contingent upon additional profits of the acquired companies of up to approximately \$1,800,000.

## G. Preferred Stock

Preferred stock is entitled to \$35 per share in liquidation. The amount at \$35 per share for the 201,016 shares outstanding is \$2,010,000 greater than their aggregated par value.

## H. Common Stock

The company has agreed to issue up to a maximum of 38,000 additional shares of treasury common stock under the terms of the acquisition agreement with Warren Fastener Corporation contingent upon future earnings of Warren.

In December 1967, subject to shareowners' approval, the Directors of the company adopted a career executive incentive stock purchase plan and in April 1968 rights were provisionally granted to officers and employees to purchase 53,600 shares. The aggregate number of shares which may be sold under the plan will not exceed 100,000. The shares will be made available from treasury common stock.

## I. Extraordinary Items

In October 1967, the company received an award of \$3,210,000, recovered under the War Claims Act of 1948, for World War II losses incurred in Europe. Because of the availability of unused foreign tax credits, no provision for Federal income taxes is required.

In November 1967, the British pound and certain other currencies were devalued resulting in an unrealized working capital loss aggregating \$3,048,000 after gains on forward exchange contracts.

## J. Net Income per Share

Per share data is based on 2,245,131 and 2,291,751 common shares outstanding at February 29, 1968, and February 28, 1967, after deducting dividend requirements of \$302,000 on the 201,016 outstanding shares of preferred stock and after giving retroactive effect to shares issued in the acquisition of Warren Fastener Corporation.

## Report of Independent Certified Public Accountants

To the Board of Directors and Shareowners  
United Shoe Machinery Corporation

We have examined the consolidated balance sheet of United Shoe Machinery Corporation and Subsidiaries at February 29, 1968, and the related consolidated statement of income and retained earnings and the consolidated statement of source and use of funds for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain subsidiary companies which were examined by other independent accountants whose reports have been furnished to us. Our opinion, insofar as it relates to the subsidiary companies not examined by us, is based solely upon such reports. We previously made a similar examination of the consolidated financial statements for the preceding year.

In our opinion, the aforementioned financial statements present fairly the financial position of United Shoe Machinery Corporation and Subsidiaries at February 29, 1968, and February 28, 1967, and the results of their operations and the source and use of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Lybrand, Ross Bros. & Montgomery*  
Boston, Massachusetts  
April 29, 1968

## Five Year Summary †

	Fiscal Year (000's omitted)				
	1968	1967	1966	1965	1964
<b>Income Statement</b>					
Sales and other operating income	\$243,284	\$241,378	\$207,595	\$185,416	\$165,277
Leased machinery revenues	45,975	45,915	44,902	44,519	43,894
Gross revenues	289,259	287,293	252,497	229,935	209,171
Cost of sales	155,940	156,274	132,006	120,095	107,389
Cost of leased machinery operations	22,040	20,327	20,297	20,491	20,099
Research and development expenses	9,823	9,590	8,488	7,319	6,638
Selling and administrative expenses	75,259	71,881	62,669	55,008	52,464
	263,062	258,072	223,460	202,913	186,590
Operating income	26,197	29,221	29,037	27,022	22,581
Other income less other charges	1,058	958	1,358	1,112	(518)
Income before taxes	27,255	30,179	30,395	28,134	22,063
Provisions for U.S. and foreign taxes	12,588	13,084	13,546	13,501	10,308
Income before minority interest	14,667	17,095	16,849	14,633	11,755
Minority interest	1,882	1,864	2,037	1,605	1,526
Net income before extraordinary items	12,785	15,231	14,812	13,028	10,229
Extraordinary items	162	—	—	1,615	—
Net income	12,947	15,231	14,812	14,643	10,229
Earnings retained	\$ 5,901	\$ 8,173	\$ 8,885	\$ 8,585	\$ 4,118
<b>Financial Position</b>					
Current assets	\$149,946	\$136,364	\$119,353	\$114,346	\$103,477
Leased machinery — net	70,701	71,276	70,752	69,789	73,630
Property, plant and equipment — net	71,453	66,771	57,891	49,625	52,175
Patent rights and other assets	12,000	9,754	7,863	6,204	3,395
Total assets	304,100	284,165	255,859	239,964	232,677
Current liabilities	41,537	42,386	34,215	30,778	26,944
Long-term debt	27,530	12,111	1,086	771	947
Other noncurrent liabilities	15,315	12,712	11,783	9,861	11,313
Minority interest	17,020	16,988	17,114	15,844	14,751
Total liabilities	101,402	84,197	64,198	57,254	53,955
Shareowners' equity	\$202,698	\$199,968	\$191,661	\$182,710	\$178,722
<b>Per Common Share*</b>					
Net income	\$ 5.63 **	\$ 6.51	\$ 6.34	\$ 6.27 ***	\$ 4.20
Depreciation and amortization	9.44	8.79	8.25	7.86	7.57
Provision for deferred income tax	.43	.68	.93	.10	—
Total funds from operations	\$15.50	\$15.98	\$15.52	\$14.23	\$11.77
Dividends paid	\$ 3.00	\$ 3.00	\$ 2.50	\$ 2.50	\$ 2.50
<b>Other Statistics</b>					
Capital expenditures	\$30,058	\$34,848	\$31,683	\$20,313	\$21,453
Depreciation and amortization	\$21,201	\$20,141	\$18,886	\$17,978	\$17,888
Provision for deferred income taxes	\$ 965	\$ 1,561	\$ 2,118	\$ 218	—
Dividend payout	53%	45%	39%	40%	59%
Ratio of current assets to current liabilities	3.6 to 1	3.2 to 1	3.5 to 1	3.7 to 1	3.8 to 1
Common shares outstanding at year end	2,245,131	2,291,751	2,289,331	2,288,111	2,362,131
Number of shareowners	20,606	21,613	22,486	23,575	23,327
Number of employees	23,250	23,293	22,827	21,706	21,310

†All figures have been restated to include Warren Fastener Corporation on a pooling of interests basis.

\*Based on outstanding shares at end of each year after deducting the dividend requirement for preferred stock.

\*\*Including extraordinary income 2/29/68 (.07)

\*\*\*Including extraordinary income 2/28/65 (.71)





### **Machinery Group**

\*USM Machinery Company  
Beverly, Massachusetts  
Industrial Machinery Division  
Boston, Massachusetts  
Shoe Machinery Division  
Boston, Massachusetts  
Cutting Die Division  
St. Louis, Missouri  
Harmonic Drive Division  
Beverly, Massachusetts  
Inpak Systems Division  
New York, New York  
Krippendorf Calculator Co.  
Lynn, Massachusetts  
Lombard Industries, Inc.  
Ashland, Massachusetts  
Medway Division  
Medway, Massachusetts  
Turner Tanning Machinery Division  
Peabody, Massachusetts  
U.S. Gear Division  
Wakefield, Massachusetts

Whitman Division  
Whitman, Massachusetts  
Plymouth, New Hampshire

### **Fastener Group**

\*USM Fastener Company  
Shelton, Connecticut  
Hopkinsville, Ky.  
\*Molly Company  
Reading, Pennsylvania  
\*The Nylok Company  
Paramus, New Jersey  
Lincolnwood, Illinois  
Torrance, California  
Parker-Kalon Corporation,  
Clifton, New Jersey  
Campbellsville, Kentucky  
Warren Fastener Corporation  
Mt. Clemens, Michigan

## **United States and Canadian Operations**

## **International Operations**

### **Boston Region**

#### **Caribbean Area**

United Shoe Machinery Company  
de Pan-America

#### **Japan**

Bostik Japan, Ltd., Tokyo  
Nippon Pop Rivets and Fasteners Ltd.  
Toyohashi

#### **Philippines**

United Shoe Machinery Company, Ltd.

### **British Region**

#### **Australia**

The British United Shoe Machinery  
Company of Australia Pty., Ltd., Melbourne  
Bostik Australia Pty., Ltd., Thomastown  
Samco-Strong Machinery Pty. Ltd.  
Melbourne

Tucker Industries Pty. Ltd., Mitcham

#### **England**

The British United Shoe Machinery  
Company Ltd., Leicester  
Bitumen Industries, Ltd., Slough  
Bostik Ltd., Leicester  
Elta Plastics Limited  
Stockton-on-Tees  
John Orme Ltd., Rushden  
Samco-Strong Ltd., Leicester  
Service (Engineers) Ltd., Stoke-on-Trent

George Tucker Eyelet Co. Ltd., Birmingham  
Turner Machinery Ltd., Leeds  
United Marketing (Leicester) Ltd.  
Leicester  
Whitfield, Hodgsons and Brough Ltd.  
Kettering

#### **India**

The Indian Tack & Nail Co. Ltd.  
Calcutta

#### **Ireland**

Bostik (Ireland) Ltd., Dublin  
Belturbet Manufacturing Company Ltd.  
Belturbet  
General Products Ltd., Dublin  
O.A. Miller (Ireland) Ltd., Belturbet

#### **Japan**

Japan United Shoe Machinery Co. Ltd.  
Tokyo

#### **New Zealand**

The British United Shoe Machinery  
Company of New Zealand Ltd.  
Wellington  
Bostik New Zealand Ltd., Wellington

#### **South Africa**

British United Shoe Machinery  
Company, (South Africa) (Pty.) Ltd.  
Port Elizabeth  
Bostik (Pty) Ltd., Port Elizabeth  
B.U. Engineering (Pty.) Ltd.  
Port Elizabeth

#### **Headquarters**

140 Federal Street, Boston, Massachusetts

#### **Central Research Division**

Beverly, Massachusetts

### **Chemical Group**

\*USM Chemical Company  
Middleton, Massachusetts  
Kenton, Tennessee  
Girder Division  
Carlton Hill, New Jersey  
The Upco Co.  
Cleveland, Ohio  
\*USM Division

### **Custom Fabrication Group**

S.A. Felton & Son Company  
Manchester, N.H.  
Canadian Branch  
Hamilton, Ontario  
Hoague-Sprague Corporation  
Lynn, Massachusetts  
Converter Division  
Leominster, Massachusetts  
Davis Boxboard Division  
W. Hopkinton, New Hampshire  
Truelove & Maclean Inc.  
Waterbury, Connecticut  
USM Precision Products, Inc.  
Caguas, Puerto Rico

B.U. Products (Pty.) Ltd., Port Elizabeth

### **Continental Region**

#### **Austria**

Oesterreichische Vereinigte  
Schuhmaschinen GmbH, Vienna

#### **Belgium**

United Shoe Machinery Company, SAB  
Brussels

#### **Denmark**

United Shoe Machinery Company A/S  
Copenhagen  
Vibe-Hastrups Kemiske Fabriker A/S  
Copenhagen

#### **Finland**

United Shoe Machinery Company Oy  
Tampere

#### **France**

United Shoe Machinery Company  
de France, Paris  
Bostik SA, Epinay-sur-Seine  
Manufacture Française d'Oeillets  
Metalliques, Paris  
The Turner Tanning Machinery  
Company (France), Paris

#### **West Germany**

Deutsche Vereinigte Schuhmaschinen  
GmbH, Frankfurt/Main

### **Canadian Group**

United Shoe Machinery Company  
of Canada Ltd.  
Montreal, Quebec

### **Sales and Service Groups**

#### **Footwear Industry Sales Organization District Offices**

Auburn, Maine  
Brockton, Massachusetts  
Cincinnati, Ohio  
Harrisburg, Pennsylvania  
Haverhill, Massachusetts  
Johnson City, New York

Bostik GmbH, Oberursel  
Maschinenfabrik Turner AG, Oberursel  
Trockentechnik, GmbH  
Homburg/Niederrhein  
Tucker Metallwaren GmbH, Giessen

#### **Italy**

United Shoe Machinery Company  
d'Italia SpA, Milan

#### **Netherlands**

Verenigde Schoenmachine  
Maatschappij NV, Waalwijk  
Bostik, NV, Dordrecht

#### **Norway**

United Shoe Machinery Company A/S  
Oslo  
Bostik A/S, Oslo

#### **Portugal**

United Shoe Machinery Portugal  
Oporto  
Bostik — Colas e Vedantes Ltda.  
Povoa de Santo Adriaio

#### **Spain**

Union de Maquinaria para Calzado, SA  
Barcelona  
Bostik SA, Barcelona

#### **Sweden**

United Shoe Machinery Company AB  
Orebro  
Bostik AB, Helsingborg

Lynn, Massachusetts  
Milwaukee, Wisconsin  
Nashville, Tennessee  
New York, New York  
Northboro, Massachusetts  
St. Louis, Missouri  
Caguas, Puerto Rico

#### **General Industry Sales Organization Regional Offices**

Atlanta, Georgia  
Berkeley (Chicago), Illinois  
Cleveland, Ohio  
Dallas, Texas  
Detroit, Michigan  
East Orange, New Jersey  
Sun Valley (Los Angeles), California  
Wakefield (Boston), Massachusetts

#### **Consumer Products Sales Organization**

Reading, Pennsylvania

#### **Mills Transfer Company**

Boston, Massachusetts

#### **Nylok Licensing Division**

Boston, Massachusetts

AB Cementex, Orebro

#### **Switzerland**

United Shoe Machinery Corporation  
(International), Lausanne  
Vereinigte Schuhmaschinen AG  
Zurich  
Bostik GmbH, Zurich

### **Latin American Region**

#### **Argentina**

United Shoe Machinery Company  
Argentina, Buenos Aires

#### **Brazil**

Companhia United Shoe Machinery  
do Brasil, São Paulo

#### **Chile**

United Shoe Machinery Company  
of Chile, Santiago

#### **Mexico**

USM Mexicana, SA de CV, Mexico City  
Bostik Mexicana, SA de CV  
Mexico City

#### **Peru**

USM Peru, SA, Lima

#### **Uruguay**

United Shoe Machinery Company  
of Uruguay, Montevideo

#### **Venezuela**

USM de Venezuela, CA, Caracas



## Management Changes

Heading the list of recent changes in management was the March 1968 election of former USM President, William S. Brewster to Chairman of the Board. He continues as Chief Executive Officer in the post that had been vacant since the 1965 retirement of George R. Brown. Elected to succeed him as President was Herbert W. Jarvis, former Vice President and Assistant to the President, who has been largely responsible for the success of the USM diversification program. He was designated as Chief Operating Officer.

At the same meeting, the Directors elected Richard L. Hobbs and Robert W. Maynard Vice Presidents. They have been appointed General Counsel, U.S.A., and General Counsel, International, respectively.

During the year, John E. Webb, former Assistant Vice President and Director of USM Operations on the European continent, was elected a Vice President and transferred to Boston. He was succeeded in Europe by Richard K. Perry who was appointed an Assistant Vice President. Also named Assistant Vice Presidents for International Division Operations were Bruce H. Anderson and Donald E. Houser.

In United States Operations, Edgar E. Joiner was appointed an Assistant Vice President of the corporation.

Also at the March 1968 meeting, William J. Horne, Director USM Management Information Systems, was appointed an Assistant Vice President.

At the close of the last fiscal year, John W. Coolidge retired after more than 42 years of USM service. He had been a Director and Vice President since 1950 and directed USM International Operations for many years.

### Directors

C. George Bennion

*Chairman and Managing Director, British USM*

Robert M. Bigelow †

Harold E. Booma †

Lloyd D. Brace\*

*Former Chairman*

*The First National Bank of Boston*

William S. Brewster\* †

George R. Brown\*

*Retired Chairman, USM*

Frank L. Farwell

*President, Liberty Mutual Insurance Companies*

Harvey P. Hood\*

*Chairman, H.P. Hood & Sons, Inc.*

Herbert W. Jarvis\* †

John H. Meyer †

Robert D. Salinger †

Henry D. Sharpe, Jr.

*President, Brown & Sharpe Manufacturing Company*

Robert G. Stone\*

*Trustee*

Thomas D. Welch †

*\*Member of Executive Committee*

*†Officer of Corporation*

### Officers

William S. Brewster

*Chairman of the Board and Chief Executive Officer*

Herbert W. Jarvis

*President and Chief Operating Officer*

Harold E. Booma

*Executive Vice President*

*U.S. and Canadian Operations*

Thomas D. Welch

*Executive Vice President, International Operations*

John H. Meyer

*Vice President and Treasurer*

Robert M. Bigelow

*Vice President, Research*

Robert D. Salinger

*Vice President and General Counsel*

John E. Webb

*Vice President, International Operations*

Richard L. Hobbs

*Vice President, General Counsel, U.S.A.*

Robert W. Maynard

*Vice President, General Counsel, International*

Walter L. Abel

*Assistant Vice President, Research*

Bruce H. Anderson

*Assistant Vice President, International*

William J. Horne

*Assistant Vice President*

*Management Information Systems*

Donald E. Houser

*Assistant Vice President, International*

Edgar E. Joiner

*Assistant Vice President, Machinery Company*

Edwin T. Mitchell

*Assistant Vice President, Chemical Group*

Richard K. Perry

*Assistant Vice President, European Operations*

Alan W. Sampson

*Assistant Vice President, Machinery Group*

Jack H. Schofield

*Assistant Vice President, Fastener Group*

Dana W. Woodward

*Assistant Vice President, Footwear Industry Sales*

Robert S. Stockwell

*Controller*

Edward P. Chase

*Secretary*

William H. Dykstra

*Assistant Treasurer*

---

*The exploding popularity of metal skis has been aided by special adhesives developed by USM. Built to withstand incredible punishment — metal skis offer reliability and performance which are today taken for granted.*







